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March 27, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Docket No. OP-1248; Proposed Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices

Dear Ms. Johnson:

Bloomingdale Bank and Trust ("BB&T) appreciates this opportunity to comment on the federal regulatory agencies' proposed interagency guidance regarding concentrations in commercial real estate lending ("the proposed CRE Guidance"). For the reasons addressed below, we urge the agencies to reconsider the need for the proposed CRE Guidance, with particular focus on whether the proposed CRE Guidance is an overly broad "one size fits all" imposition that will unnecessarily impact financial institutions that do not share the same commercial real estate lending risk factors as other financial institutions.

We first note that the proposed CRE Guidance is apparently based on evidence that "some" financial institutions have vulnerabilities related to commercial real estate lending concentrations:

> "The Agencies have observed that *some* institutions have high and increasing concentrations of commercial real estate loans....As provided in the proposed Guidance, *such* institutions should have in place risk management practices and capital levels appropriate to the risk associated with these concentrations." [emphasis added] January 13, 2006 Federal Register at Page 2303.

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> "The Agencies have observed that *some* institutions have high and increasing concentrations of commercial real estate loans on their balance sheets and are concerned that these concentrations may make the institutions more vulnerable to cyclical commercial real estate markets." [emphasis added] January 13, 2006 Federal Register at Page 2304.
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> "While underwriting standards are generally stronger than those during previous CRE cycles, the Agencies have observed high concentrations in CRE loans at *some* institutions." [emphasis added] January 13, 2006 Federal Register at Page 2304
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> "Recent examinations have indicated that the risk management practices and capital levels of *some* institutions are not keeping pace with their increasing CRE concentrations. In *some* cases, the Agencies have observed that institutions have rapidly expanded their CRE lending operations into new markets without establishing adequate control and reporting processes, including the preparation of market analyses." [emphasis added] January 13, 2006 Federal Register at Page 2304.

If specific financial institutions have engaged, or are engaging, in lending practices that the agencies believe is inconsistent with safe and sound banking practices, the agencies have the ability to address such practices or deficiencies through regulatory tools that are already available. It concerns us that the agencies might react to a problem that "some" financial institutions are experiencing by imposing new standards or new regulatory burdens on *all* financial institutions. Not all banks, not all communities, and not all geographic sectors of the United States experience the same level of risk and "cyclical" peril with respect to commercial real estate loan portfolios. Imposing new standards, with the corresponding costs and diversion of resources, on financial institutions that have historically managed their commercial real estate lending practices in a safe and sound manner with insignificant levels of loan losses is neither necessary nor in the interests of the banks and their communities.

We does not object to the concept, addressed in the proposed CRE Guidance, that the bank's board of directors should be informed of relevant commercial real estate trends and lending factors and should exercise oversight with respect to the commercial real estate lending strategy and policies of the bank. Furthermore, the proposed CRE Guidance makes references to guidelines or regulations that are already in effect (e.g., the reference to compliance with existing real estate appraisal regulations) and CBAI certainly expects that financial institutions would abide by existing laws, regulations and prudent banking guidelines affecting commercial real estate lending.

However, the detail with respect to strategic planning, loan underwriting, monitoring of commercial real estate loans, usage of management information system technology, and stress testing to assess and monitor either individual loans or risks to broader loan portfolios introduces new and unnecessary burdens for banks that are not experiencing, and have not experienced, significant problems in their commercial real estate lending activities. If a community bank has a history of strong management and control regarding its commercial real estate loan portfolio, if that bank is in a market not visited by negative commercial real estate trends or cycles that have surfaced in other areas of the country, and if that bank is in all other respects being managed in a safe and sound manner, should a regulatory agency assume that changing the practices that have worked at that bank for decades will make the bank more efficient or less vulnerable to problems?

We also have a concern with language in the proposed CRE Guidance suggesting that additional capital may be necessary to support commercial real estate loan concentrations. Again, the assumption that existing capital levels are insufficient to protect that bank against risk exposure in commercial real estate loan portfolios elevates unrealized potential peril over historical reality. Not all banks, despite common percentages or ratios involving their commercial real estate loan portfolios, have or will experience the same level of risk or loss. Making universal assumptions, rather than looking at banks on a bank-by-bank or at least market-by-market basis, does an injustice to specific banks that are well managed and that have always operated in a safe and sound manner at existing capital levels. Requiring such a bank to needlessly raise additional capital may impair the bank's ability to go back to its shareholders or its community in the future when it has a real need to raise capital for a given purpose.

Finally, the result of the proposed CRE Guidance may be to make commercial real estate loans less available to businesses or to prospective businesses in some markets that are not over-banked. If a bank begins to restrict its commercial real estate lending activities out of fear that it may incur additional costs or diversion of resources due to the concentration levels contemplated by the proposed CRE Guidance, then the bank may make such credit less available in its community. That, in turn, benefits neither the bank, the commercial loan applicant, or the community.

One week ago, in her testimony before the Senate Committee on Banking, Housing, and Urban Affairs, First Senior Deputy Comptroller of the Currency Julie Williams said the following:

> "Unnecessary (regulatory) burden exacts a heavy price on banks, bank customers, and our economy. For our nation's community banks, unnecessary burden can actually imperil their competitive viability."

We completely agree with that statement, but we suggest that it can be extended to suggest that a well-intended regulatory burden that is *overly broad and not properly focused* can also be detrimental to community banks, to their borrowers and to their local economies. In our opinion, the proposed CRE Guidance is flawed because it would unnecessarily limit commercial lending opportunities for banks that are not in high risk markets, it would impose new procedures and require the use of personnel resources to administer certain commercial lending activities without a demonstrated need at the particular bank in question, or it would require the bank to raise additional capital to support lending practices that the bank has historically

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managed in a safe and sound manner at existing capital levels. Any one of these unattractive consequences, or any combination of them, will exact a price on community banks by diverting resources, by causing the banks to forego otherwise attractive lending opportunities, or by making future capital initiatives more difficult due to the capital initiatives that might be necessary under the proposed CRE Guidance.

Thank you for your attention and for your consideration of these comments.

Sincerely,

Raymond J. Wengel

Raymond J. Wengel
First Vice President/Chief Counsel